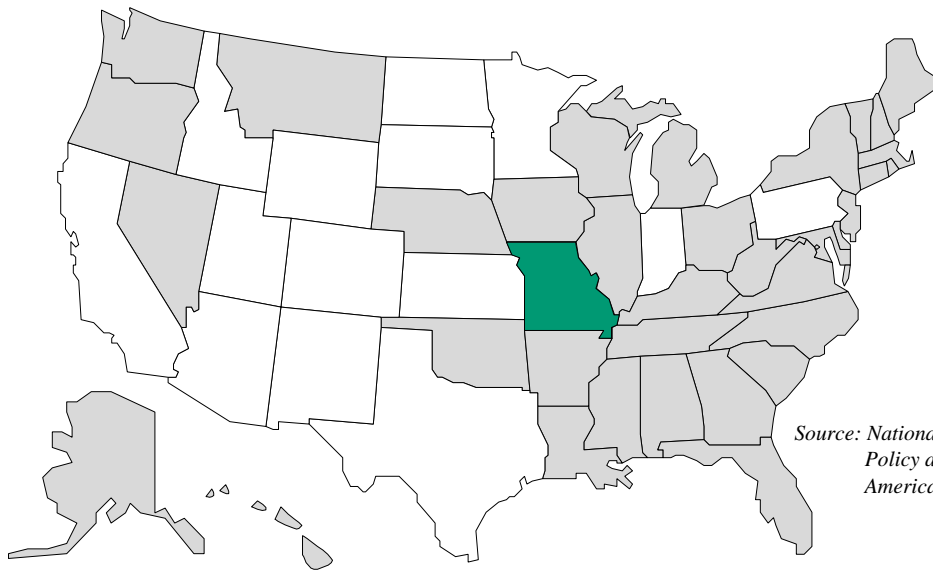


Certificate of Need

Effective • Efficient • Accountable

More than 70% of the states in our country, including the District of Columbia (see below), continue to regulate and allocate health care resources through Certificate of Need (CON), or a similar program under another name. Currently, only 14 states have no CON process, while others have reinstituted or strengthened it.



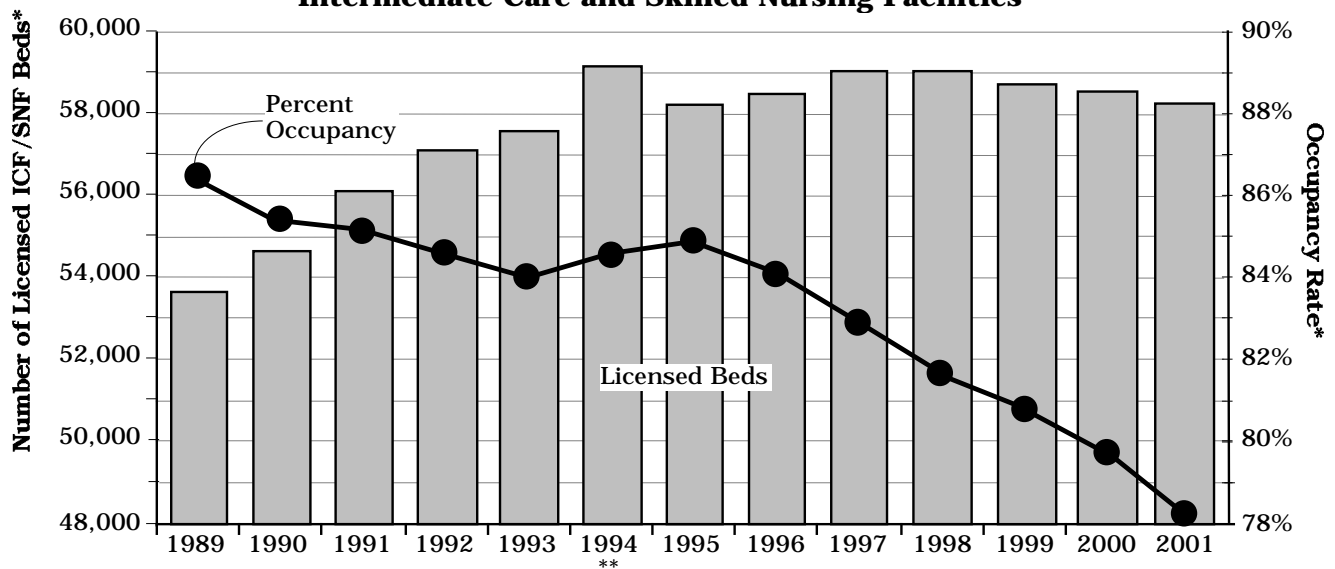
*Source: National Directory of Health Planning,
Policy and Regulatory Agencies,
American Health Planning Association*

Missouri CON has been effective in the following ways:

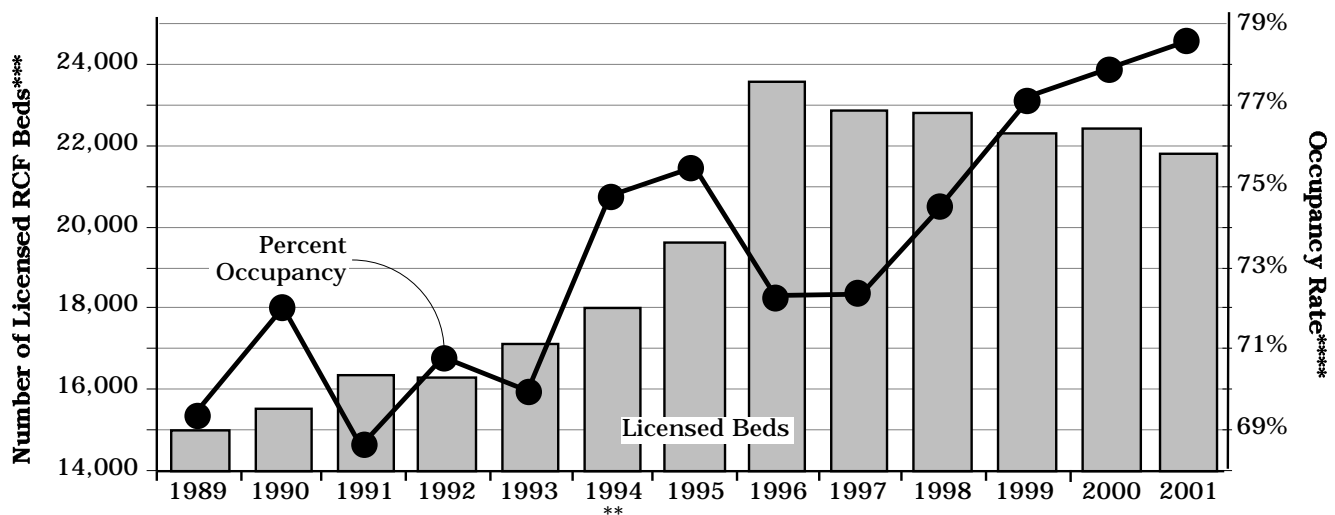
- **Saves money**
by saving \$144 in capital expenditures for every \$1 invested;
- **Ensures accountability**
to Missouri citizens through public meetings and notices;
- **Protects the community**
by limiting unnecessary health care services; and
- **Promotes planning**
through sound management and community need assessment.

Comparison of Long-Term Care Capacity and Occupancy (Calendar Years 1989-2001)

Intermediate Care and Skilled Nursing Facilities



Residential Care Facilities I and II



* All ICF/SNF data based on Quarterly Survey Data

** Occupancy based on Quarterly Survey Data of the number of licensed and available beds starting the Second Quarter of 1994

*** Number of RCF beds based on Division of Health Standards and Licensure Data 1989-1993, and Quarterly Survey Data thereafter

**** Occupancy Data for 1989-1993 was obtained from the Department of Health and Senior Services, and Quarterly Survey Data thereafter

Without CON regulation, additional Medicaid billings could average over **\$15,642,000 every year** thereafter based on the following current rates:
(Missouri's portion of this would be 40%, federal portion would be 60%)

84.3% (percent of Medicaid-certified beds)

x **53.1%** (occupancy of these beds by Medicaid recipients)

x **\$95.74** (interim rate per day granted to new Medicaid facilities)

x **365** (total days in the year)

x **1000** (previously non-reviewable and denied beds)

**\$456,797,000
SAVED**

CON Saves Money

Over \$144 in capital expenditures were precluded by CON actions for every \$1 invested to administer the program from January 1, 1991, to December 31, 2001 (see column chart at left). Since more revenue from application fees was generated than was used by CON for this period, the state treasury has also realized a net gain (see chart on the top of next page).

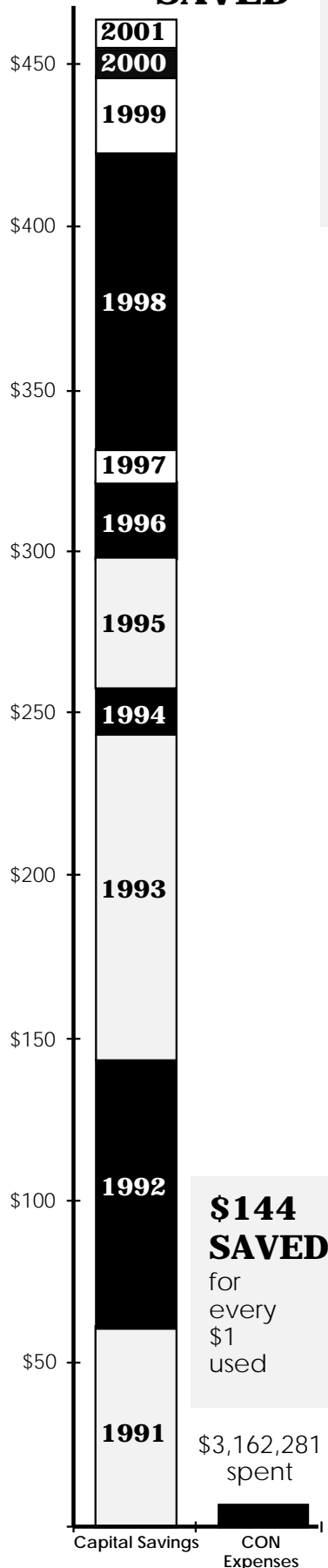
Ensures Accountability

Public scrutiny acts as a powerful deterrent to unneeded proposals. The public pays for more than 50% of hospital costs and 60% of nursing home costs through Medicaid and Medicare. All applicants are required to justify their proposals in terms of their community's need. Communities are notified of all CON applications in their area through published notices. Public hearings are a guaranteed right of local citizens.

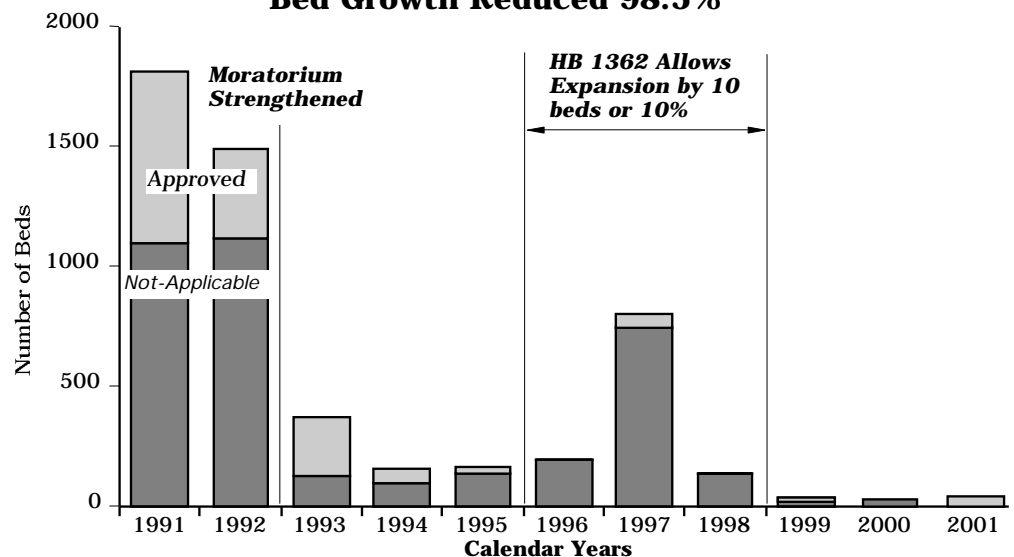
Protects the Community

Prior to the August 1992 strengthening of the long term care bed moratorium, more than 1700 nursing home beds were being added annually by CON approvals, or by escaping CON by building or expanding facilities for less than \$600,000. In 2001, the number of additional nursing home beds which were approved was 30. However, statutory provisions did allow 208 beds to be transferred from low-occupancy facilities to facilities meeting high-occupancy, high-quality requirements. As shown below, the 2001 growth rate was 98.5% below that of 1991. This has resulted in substantial cost savings to Missouri citizens. Holding down expansion continues to be an important issue since statewide occupancy rates were less than 79% in 2001.

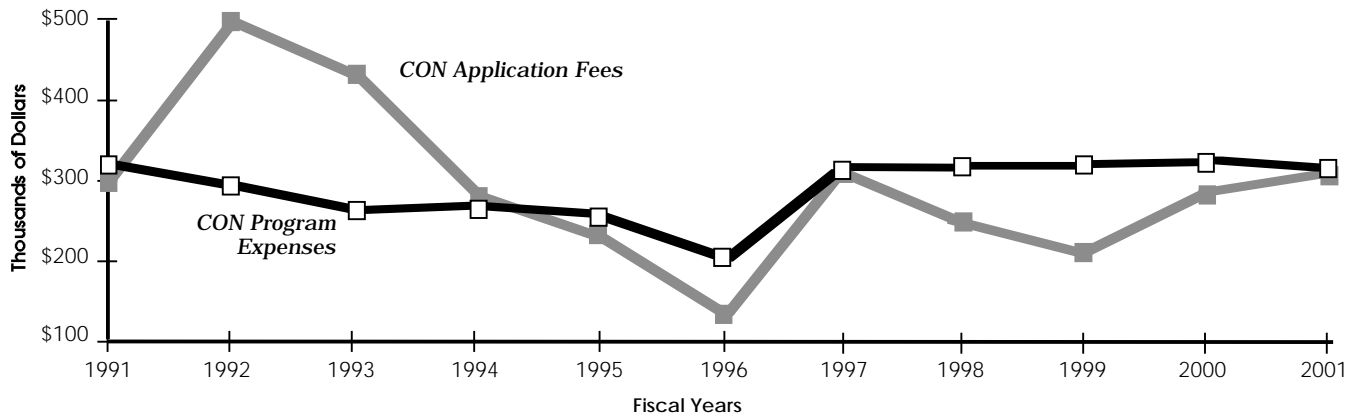
Millions of Dollars



Bed Growth Reduced 98.5%



Eleven-Year Net Gain to Treasury of \$42,784



Promotes Planning

Diligent and responsible planning for new health care services and facilities improves the chances for success. The CON application process is based on the belief that responsive community-based planning and sound business management has been conducted. The CON program is an opportunity to document that effort.

Frequently, an idea or perceived need is born because of its profit potential or its ability to enhance the marketability and image of the applicant. When good management principles and financial feasibility studies are applied from the community perspective, many such ideas don't survive. Therefore, CON minimizes and prevents market-generated failures and closures.

Many projects or ideas never become applications. This has often been referred to as the "sentinel effect." A prime indicator is the number of Letters of Intent (announcements of an idea) which never reach the application stage (final commitment stage). The chart below illustrates that more than \$1 billion in expenditures for hospitals, nursing homes, residential care facilities and other projects were avoided from 1991 through 2001, because the projects were abandoned following the submittal of the Letter of Intent. These savings are in addition to those reported on the previous page.

